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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

CG2-2236

FORM 10 - Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended
December 1991

Commission File Number
0-17798

BALI JEWELRY, LTD.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

(IRS Employer
Identification Number -
11-28483075)

50 Wallabout Street
Brooklyn, New York 11211
(Address of principal executive office including zip code)

718-797-9558
(Registrant's telephone number including area code)

Indicate by check mark whether the Registrant (1) has filed as reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Common Stock, Par Value \$.001, outstanding at December 31, 1991:

6,300,000 shares

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BALI JEWELRY, LTD.

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BALI JEWELRY, LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

	December 31, <u>1991</u>	September 31, <u>1991</u>
ASSETS		
Current Assets:		
Cash	\$ 32,257	\$ 193,154
Accounts receivable	2,589,465	2,596,206
Less: Allowance for doubtful accounts	(70,000)	(70,000)
Merchandise inventories	7,426,780	6,315,693
Prepaid expenses	<u>15,384</u>	<u>15,384</u>
Total Current Assets	9,993,886	9,050,437
Property, plant and equipment, -at cost	1,158,214	1,155,990
Less: Accumulated depreciation and amortization	(397,553)	(357,612)
Deferred charges	<u>110,059</u>	<u>113,905</u>
Total Assets	<u>\$10,864,606</u>	<u>\$ 9,962,720</u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 353,455	\$ 274,494
Bank loan payable	2,413,792	2,383,926
Accrued expenses and taxes payable	73,542	44,971
Loan payable to Private Brands, Inc.	2,812,564	2,197,750
Other loans payable, net	<u>464,637</u>	<u>430,632</u>
Total Liabilities	<u>6,117,990</u>	<u>5,126,773</u>
Commitments and Contingencies		
Shareholders' Equity:		
Common Stock-authorized 20,000,000 shares at \$.001 par value; issued and outstanding-6,300,000 shares	6,300	6,300
Additional paid-in-capital-Note A(1)	6,781,059	6,781,059
Retained earnings (deficit)	<u>(2,040,743)</u>	<u>(1,949,412)</u>
Net Shareholders' Equity	<u>4,746,616</u>	<u>4,837,947</u>
Total	<u>\$10,864,606</u>	<u>\$ 9,962,720</u>

Note: See accompanying Notes to Interim Financial Statements.

BALI JEWELRY, LTD.
CONSOLIDATED INTERIM STATEMENT OF OPERATIONS
THREE MONTHS ENDED DECEMBER 31,

	<u>1991</u>	<u>1990</u>
Net Revenues	\$ <u>3,252,310</u>	\$ <u>4,418,640</u>
Cost of goods sold:		
Inventory-October 1	6,315,693	5,296,000
Purchases and manufacturing labor	3,773,423	4,378,876
Direct labor and related taxes	350,043	408,964
Provision for depreciation and amortization	<u>39,941</u>	<u>50,000</u>
Total	10,479,100	10,133,840
Less: Inventory-December 31	<u>7,426,780</u>	<u>5,988,844</u>
Cost of Goods Sold	<u>3,052,320</u>	<u>4,144,996</u>
Gross Profit	<u>200,990</u>	<u>273,644</u>
Operating Expenses:		
Selling and shipping expenses	36,390	77,466
General and administrative expenses	114,356	105,759
Interest and finance charges	<u>132,273</u>	<u>65,165</u>
Total Operating Expenses	<u>283,019</u>	<u>249,390</u>
Income (loss) before taxes	(82,029)	24,254
Less: Provision for corporate and income taxes	<u>9,302</u>	<u>4,896</u>
Net Income (Loss)	<u>\$ (91,331)</u>	<u>\$ 19,358</u>
Weighted average number of shares of Common Stock outstanding used in determining earnings (loss) per share	<u>6,300,000</u>	<u>6,300,000</u>
Earnings (Loss) per Share	<u>\$ (.01)</u>	<u>\$Nil</u>

Note: See accompanying Notes to Interim Financial Statements.

BALI JEWELRY, LTD.
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
THREE MONTHS ENDED DECEMBER 31.

	<u>1991</u>	<u>1990</u>
A. Operating Activities:		
1. Net Income (Loss) from Operations	\$ (91,331)	\$ 19,358
Plus: Adjustment to reconcile operating income to net cash provided from operating activities-		
Provision for depreciation and amortization	39,941	50,000
2. Cash Provided From our Used for Other Operating Activities:		
(Increase) Decrease in accounts receivable	6,741	(479,047)
Decrease in prepaid expenses	-0-	3,155
(Increase) in inventory	(1,111,087)	(692,844)
Increase in accounts payable	78,961	233,820
Increase (Decrease) in accrued expenses and taxes payable	28,571	(55,109)
Decrease in bank account overdraft	<u>-0-</u>	<u>(147,914)</u>
Net Cash Used for All Operating Activities	<u>(1,048,204)</u>	<u>(1,068,581)</u>
B. Cash Used for Investing Activities:		
Purchase of plant & equipment	(2,224)	(100,000)
Decrease in deferred charges	<u>3,846</u>	<u>3,846</u>
Total Cash Provided from or Used for All Investing Activities	<u>1,622</u>	<u>(96,154)</u>
C. Cash Provided From or Used for Financing Activities:		
Proceeds of loans from Private Brands, Inc.	621,814	245,575
Proceeds of bank loans	29,866	1,287,668
Increase (Decrease) in other loans	<u>214,005</u>	<u>(258,527)</u>
Net Cash Provided from All Financing Activities	<u>865,685</u>	<u>1,274,716</u>
Net Increase (Decrease) in Cash	(160,897)	109,981
Balance, Cash - October 1	<u>193,154</u>	<u>96,564</u>
Balance, Cash - December 31	<u>\$ 32,257</u>	<u>\$ 206,545</u>

Note: See accompanying Notes to Interim Financial Statements.

BALI JEWELRY, LTD.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
DECEMBER 31, 1991

NOTE A-Summary of Significant Accounting Policies:

(1) Organization:

Bali Jewelry, Ltd. was incorporated as a New York corporation on February 23, 1987 and commenced operations in April 1987. Bali Jewelry, Ltd. is a 61% owned subsidiary of Private Brands, Inc. Prior to March 28, 1989, the Company's outstanding shares of capital stock consisted of 100 shares of Common Stock without par value, all owned by Private Brands, Inc. On March 28, 1989 the Company was recapitalized so that each share of previously issued and outstanding Common stock without par value was changed into 40,000 shares of Common Stock \$.001 per share. As a result of the recapitalization, Private Brands, Inc. owned 4,000,000 shares of Common Stock \$.001 par value of the Company. Private Brands, Inc., thereafter sold 150,000 shares to the public under Rule 144.

On March 31, 1989, Private Brands, Inc. converted \$2,000,000 of intercompany debt payable to itself from the Company, into shareholders equity, as Additional Paid-in-Capital of the Company. This conversion of debt to equity represented a non-cash financing activity. In addition, the parent company transferred all the issued and outstanding stock of Columbia Chain, Ltd., an unaffiliated corporation formed under the laws of the Turks and Caicos Islands to the Company, thereby making Columbia Chain, Ltd. a wholly owned subsidiary.

(2) Description of Operations:

The Company is engaged in the business of designing, manufacturing, and marketing gold and silver jewelry, including handmade rope chains and rings and earrings, watches and etc., some set with diamonds and semiprecious gemstones. The design and some of the manufacturing operations are performed at the Company's facility in New York. Other fabrication including handweaving, is performed at the Company's facility in the Dominican Republic.

(3) Principles of Consolidation:

The Financial Statements include the operations of the Company and its wholly owned subsidiary Columbia Chain, Ltd.; all operations are on a combined basis. All significant intercompany transactions and accounts have been eliminated in the consolidation.

BALI JEWELRY, LTD.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
DECEMBER 31, 1991

ACCOUNTS RECEIVABLE:

- (a) The Company ships goods to its customers in line with the credit limitations of a credit insurance policy.
- (b) In a prior year, Bali Jewelry, Ltd. had filed a U.C.C. on its accounts receivable in favor of the French American Banking Corp., which at that time provided financing for Bali Jewelry, Ltd. In April 1988, Bali Jewelry, Ltd. repaid its obligation to the French American Banking corp. and the U.C.C. filing should have been removed. Nonetheless, to this date the U.C.C. filing has not been withdrawn.

INVENTORIES:

Inventories include gold in bullion form, in various karat values ranging from 10K to 24K (.9999 pure), and gold wire, gold in process of chain manufacturing, and finished gold rope chain of various sizes and designs and gold jewelry, and also silver bulk and in jewelry form, and manufacturing supplies. Inventories are priced at lower of cost or market on a first-in first-out basis. Details were as follows:

	December, <u>1991</u>	September 30, <u>1991</u>
Bullion	\$1,062,000	\$ 903,240
Work in Process	3,770,415	3,169,170
Finished Goods	2,402,730	2,044,130
Supplies	<u>191,635</u>	<u>199,152</u>
Totals	<u>\$7,426,780</u>	<u>\$6,315,693</u>

LOAN PAYABLE TO PRIVATE BRANDS, INC.:

As of March 31, 1989 the Company owed a total of \$6,278,168 to its parent, Private Brands, Inc., primarily for funds that Private Brnds, Inc. had borrowed from its banks, primarily for the working capital needs of the Company. On March 31, 1989 Private Brands, Inc. converted \$2,000,000 of this debt into Shareholders Equity of the Company. The balance of \$4,278,168 was handled as follows: (a) \$1,300,000 was repaid to the banks and (b) \$602,640 was repaid to Private Brands, Inc. from the proceeds of initial public offering. An additional \$309,462 was paid, subsequently bringing the new balance owed to Private Brands, Inc. at September 30, 1990, to \$2,066,066. During the year ended September 30, 1991, this balance increased by \$124,684, bringing the total to \$2,190,750. As of December 31, 1991 the balance owed was \$2,812,564. This balance is shown as a current liability. The Company pays interest to Private Brands, Inc. on this debt at prime plus 1%. There is no fixed schedule for the repayment of this obligation.

BALI JEWELRY, LTD.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
DECEMBER 31, 1991

ACCRUED EXPENSES AND INCOME TAXES PAYABLE:

Details were as follows:

	December 31, <u>1991</u>	September 30, <u>1991</u>
Income taxes payable	\$ 19,207	\$ 9,905
Accrued expenses and other taxes	<u>54,335</u>	<u>35,066</u>
Totals	<u>\$ 73,542</u>	<u>\$ 44,971</u>

RECAPITALIZATION:

a) At a shareholders' meeting on December 31, 1990 the Company amended its Certificate of Incorporation to allow it to issue 5,000,000 shares of Preferred Stock, \$.001 par value.

DEFERRED CHARGES:

This represents advance payments made on two leases with the Industrial Promotion Corporation in the Zona Franca of the Dominican Republic. These charges are being amortized over the terms of the leases (5 and 15 years).

BANK LOAN PAYABLE:

This represents an unsecured loan payable to a foreign bank. The original agreement with the bank called for a credit line of \$2,000,000 which was to be repaid at the end of one year. The bank has extended additional credit above that line. The loan has not been repaid to date. The current rate of interest charged on this loan is 6% plus 1 1/4% per annum.

RELATED PARTY TRANSACTIONS:

- a) Bali Jewelry, Ltd. pays interest to its parent, Private Brands, Inc. on the outstanding balance of intercompany loans payable to Private Brands, Inc. at an average interest rate of one percent above prime.
- b) Other Loans Payable-Net represents short-term loans, payable primarily to persons who are shareholders of the Company or to family related businesses. The loans are non-interest bearing and are unsecured.
- c) The Company leases space from its parent company in Brooklyn at an annual rental of \$12,000.

BALI JEWELRY, LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS ENDED DECEMBER 31, 1991

Net sales decreased approximately 26% for the three months ended December 31. The gross profit percentage remained the same. Operating expenses in the quarter decreased, except for interest expense, which increased due to the acquisition of a bank loan from NMB Bank. Cash flow generated by the Company's operations is deemed adequate to meet the Company's financial obligations.

PART II: OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

1. (a) Exhibits: None
- (b) No report on Form 8-K was filed by the Company during the months of

ALL OTHER ITEMS ARE NOT APPLICABLE OR NONE

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BALI JEWELRY, LTD.
50 Wallabout Street
Brooklyn, New York 11211
(Registrant)

By Naftole Schlesinger, President

By Yitchak Schlesinger, Secretary
and Treasurer

Dated: